

MADRID COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2020

MADRID COMMUNITY SCHOOL DISTRICT

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MADRID COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2020

Board of Education

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lauren Clark	President	2023
Allie Antonovich	Vice President	2021
Tyler Simmons	Board Member	2023
Jessica Smith	Board Member	2023
Chelcie Badgley	Board Member	2021

School Officials

Brian Horn	Superintendent	Indefinite
Kris Van Pelt	Business Manager/Board Secretary	Indefinite
Drew Bracken	Attorney	Indefinite



ANDERSON, LARKIN & CO., P.C.
Certified Public Accountants
"Your Success Is Our Business."

Kenneth E. Crosser, CPA
April D. Crosser, CPA
Michael J. Podliska, CPA
Alexander T. Barr, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Madrid Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Madrid Community School District as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Madrid Community School District at June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 4 through 10 and 40 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madrid Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2021 on our consideration of Madrid Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Madrid Community School District's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO., P.C.

Ottumwa, Iowa
January 20, 2021

Anderson, Larkin & Co., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madrid Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,835,791 in fiscal 2019 to \$7,948,708 in fiscal 2020, while General Fund expenditures increased from \$7,500,994 in fiscal 2019 to \$7,772,679 in fiscal 2020. The District's General Fund balance increased from \$1,576,856 in fiscal 2019 to \$1,753,115 in fiscal 2020, an 11.18% increase.
- The increase in General Fund revenues was primarily attributable to the increase in local and state source revenues received compared to the prior year. The increase in expenditures was primarily due to the increase in instruction expenditures.
- The District's total net position increased from \$5,323,218 in 2019, to \$5,564,359 in 2020, a 4.53% increase, while total expenses increased from \$9,166,815 in fiscal 2019, to \$9,596,258 in fiscal 2020, a 4.68% increase compared to the prior year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Madrid Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Madrid Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of changes in the district's total OPEB liability, related ratios and notes.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Reporting the District's Financial Activities

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's Enterprise Fund, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund

The required financial statements for proprietary funds include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for the assets that belong to others. These funds include Private Purpose Trust, which accounts for outside donations for scholarships for individual students.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the fund governmental financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

Figure A-1
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2020	2019	2020	2019	2020	2019	2019 -2020
Current and other assets	\$ 13,817,916	\$ 7,291,657	\$ 53,253	\$ 32,995	\$ 13,871,169	\$ 7,324,652	89.38%
Capital assets	<u>7,804,474</u>	<u>7,919,018</u>	<u>50,714</u>	<u>42,833</u>	<u>7,855,188</u>	<u>7,961,851</u>	(1.34)
Total assets	<u>21,622,390</u>	<u>15,210,675</u>	<u>103,967</u>	<u>75,828</u>	<u>21,726,357</u>	<u>15,286,503</u>	42.13
Deferred outflows of resources	<u>834,561</u>	<u>1,085,421</u>	<u>5,526</u>	<u>16,795</u>	<u>840,087</u>	<u>1,102,216</u>	(23.78)
Long-term liabilities	12,469,723	7,138,981	90,673	103,337	12,560,396	7,242,318	73.43
Other liabilities	<u>1,046,179</u>	<u>931,688</u>	<u>130,601</u>	<u>145,952</u>	<u>1,176,780</u>	<u>1,077,640</u>	9.20
Total liabilities	<u>13,515,902</u>	<u>8,070,669</u>	<u>221,274</u>	<u>249,289</u>	<u>13,737,176</u>	<u>8,319,958</u>	65.11
Deferred inflows of resources	<u>3,251,934</u>	<u>2,739,792</u>	<u>12,975</u>	<u>5,751</u>	<u>3,264,909</u>	<u>2,745,543</u>	18.92
Net position:							
Net investment in capital assets,	5,738,171	5,727,018	50,714	42,833	5,788,885	5,769,851	0.33
Restricted	2,437,209	2,459,627	-	-	2,437,209	2,459,627	(0.91)
Unrestricted	<u>(2,486,265)</u>	<u>(2,701,010)</u>	<u>(175,470)</u>	<u>(205,250)</u>	<u>(2,661,735)</u>	<u>(2,906,260)</u>	(8.41)
Total net position	\$ <u>5,689,115</u>	\$ <u>5,485,635</u>	\$ <u>(124,756)</u>	\$ <u>(162,417)</u>	\$ <u>5,564,359</u>	\$ <u>5,323,218</u>	4.53

The District's total net position increased by 4.53%, or \$241,141, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$22,418, or 0.91% from the prior year. This balance remained stable due to revenues and expenditures being relatively similar.

Unrestricted net position – is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$244,525, or 8.41%. This increase in unrestricted net position was primarily a result of the combination of various changes.

Figure A-2 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-2 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2020	2019	2020	2019	2020	2019	2019- 2020
Revenues							
Program revenues:							
Charges for services	\$ 697,180	\$ 626,025	\$ 176,361	\$ 221,399	\$ 873,541	\$ 847,424	3.08%
Operating grants, contributions and restricted interest	506,777	507,973	214,517	147,292	721,294	655,265	10.08
General revenues:							
Property tax	2,489,209	2,395,798	-	-	2,489,209	2,395,798	3.90
Income surtax	183,013	188,027	-	-	183,013	188,027	(2.67)
Statewide sales, services and use tax	686,962	700,465	-	-	686,962	700,465	(1.93)
Unrestricted state grants	4,737,612	4,717,010	-	-	4,737,612	4,717,010	.44
Unrestricted investment earnings	58,075	61,847	603	688	58,678	62,535	(6.17)
Other	72,055	97,108	15,035	37,989	87,090	135,097	(35.53)
Total revenues	<u>9,430,883</u>	<u>9,294,253</u>	<u>406,516</u>	<u>407,368</u>	<u>9,837,399</u>	<u>9,701,621</u>	<u>1.40</u>
Program expenses:							
Instruction	5,547,405	5,610,073	-	-	5,547,405	5,610,073	(1.12)
Support services	3,043,657	2,667,354	-	-	3,043,657	2,667,354	14.11
Non-instructional programs	13,115	36,954	368,855	362,322	381,970	399,276	(4.33)
Other expenses	623,226	490,112	-	-	623,226	490,112	27.16
Total expenses	<u>9,227,403</u>	<u>8,804,493</u>	<u>368,855</u>	<u>362,322</u>	<u>9,596,258</u>	<u>9,166,815</u>	<u>4.68</u>
Change in net position	203,480	489,760	37,661	45,046	241,141	534,806	(54.91)
Net position beginning of year	<u>5,485,635</u>	<u>4,995,875</u>	<u>(162,417)</u>	<u>(207,463)</u>	<u>5,323,218</u>	<u>4,788,412</u>	<u>11.17</u>
Net position end of year	\$ <u>5,689,115</u>	\$ <u>5,485,635</u>	\$ <u>(124,756)</u>	\$ <u>(162,417)</u>	\$ <u>5,564,359</u>	\$ <u>5,323,218</u>	<u>4.53</u>

In the fiscal year 2020 property tax and unrestricted state grants accounted for 76.63% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 96.24% of the revenue of the business type activities.

The District's total revenues were approximately \$9.8 million, of which approximately \$9.4 million was for governmental activities and approximately \$.4 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 1.40% increase in revenues and a 4.68% increase in expenses. The increase in revenues is primarily due to an increase in property tax compared to the prior year. The increase in expenses is primarily due to an increase in support services and other expenses compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$9,430,883 and expenses were \$9,227,403 for the year ended June 30, 2020.

The following table (Figure A-3) presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-3
Total and Net Cost of Governmental Activities

		Total Cost of Services			Net Cost of Services		
		June 30,	Total		June 30,	Total	
		2020	2019	2019-2020	2020	2019	2019-2020
Instruction	\$	5,547,405	\$ 5,610,073	(1.12)%	\$ 4,787,862	\$ 4,829,027	(0.85)%
Support services		3,043,657	2,667,354	14.11	2,891,719	2,607,643	10.89
Non-instructional programs		13,115	36,954	(64.51)	13,115	36,954	(64.51)
Other expenses		623,226	490,112	27.16	330,750	196,871	68.00
Total expenses	\$	<u>9,227,403</u>	\$ <u>8,804,493</u>	<u>4.80%</u>	\$ <u>8,023,446</u>	\$ <u>7,670,495</u>	<u>4.60%</u>

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was \$697,180.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$506,777.
- The net cost of governmental activities was financed with \$2,489,209 in property taxes, \$183,013 in income surtax, \$686,962 in statewide sales, services and use tax, \$4,737,612 in unrestricted state grants, \$58,075 in unrestricted investment income, and \$72,055 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$406,516 and expenses were \$368,855 for the year ended June 30, 2020. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, Madrid Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balance of \$9,867,809, an increase over last year's ending combined fund balances of \$3,716,391. The primary reason for the increase in combined fund balances was a new bond issue.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The District's General Fund balance increased from \$1,576,856 at June 30, 2019 to \$1,753,115 at June 30, 2020. An increase in local funding contributed to the increase in total revenues. Total revenues outpaced total expenditures ensuring an increase in fund balance.
- The Capital Projects Fund balance increased from \$1,621,977 at June 30, 2019 to \$7,641,922 at June 30, 2020. Unspent bond proceeds at June 30, 2020 caused this fund balance increase.
- The Debt Service Fund balance increased from \$101,603 at June 30, 2019 to \$102,878 at June 30, 2020. Transfers in and revenues exceeded long-term debt expenditures during the year.

Proprietary Fund Highlights

School Nutrition Fund net position increased from a deficit of \$162,417 at June 30, 2019, to a deficit of \$124,756 at June 30, 2020, representing an increase of 23.19%. Revenues outpacing expenditures was the primary reason for the increase.

BUDGETARY HIGHLIGHTS

Over the course of the year, Madrid Community School District made one amendment to its annual budget to reflect additional expenditures in the support services, non-instructional programs and other expenses functions.

The District's revenues were \$8,165 more than budgeted revenues, a variance of .01%. The most significant variance resulted from the District receiving more in federal sources revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures using realistic projections based from prior year expenditures with a buffer built as to not exceed the annual budget. The district then manages or controls general fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the other expenditures functional area exceeded the amount budgeted due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had invested \$7,855,188 net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets (See Figure A-4). This amount represents a net decrease of 1.34% from last year. More detailed information about the District's capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$399,205.

The original cost of the District's capital assets was \$15,092,602. Governmental activities account for \$14,974,123 with the remainder of \$118,479 accounted for in the Proprietary, School Nutrition Fund.

One of the largest changes in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$42,710 at June 30, 2020, compared to \$102,823 reported at June 30, 2019. This decrease in the District's construction in progress is attributable to the athletic complex irrigation project being completed during the year.

Figure A-4
Capital Assets, Net of Depreciation/Amortization

	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change
	2020	2019	2020	2019	2020	2019	2019-2020
Land	\$ 112,126	\$ 112,126	\$ -	\$ -	\$ 112,126	\$ 112,126	- %
Construction in progress	42,710	102,823	-	-	42,710	102,823	(58.46)
Buildings	5,031,484	5,081,387	-	-	5,031,484	5,081,387	(.98)
Land improvements	2,250,371	2,242,028	-	-	2,250,371	2,242,028	.37
Machinery and equipment	367,783	380,654	50,714	42,833	418,497	423,487	(1.18)
Totals	\$ <u>7,804,474</u>	\$ <u>7,919,018</u>	\$ <u>50,714</u>	\$ <u>42,833</u>	\$ <u>7,855,188</u>	\$ <u>7,961,851</u>	<u>(1.34)</u> %

Long-Term Debt

At June 30, 2020, the District had \$7,702,000 in total long-term debt outstanding. This represents an increase of 251.37% from last year (See Figure A-5). Additional information about the District's long-term liability is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$6,615,000 at June 30, 2020, payable from the Debt Service Fund.

The District had outstanding revenue bonds of \$1,087,000 at June 30, 2020 payable from the Capital Projects, Statewide Sales, Services and Use Tax Fund.

Figure A-5
Outstanding Long-term Obligations

	Total District June 30,		Total Change
	2020	2019	2019-2020
General obligation bonds	\$ 6,615,000	\$ 995,000	564.82 %
Revenue bonds	<u>1,087,000</u>	<u>1,197,000</u>	<u>(9.19)</u>
Totals	\$ <u>7,702,000</u>	\$ <u>2,192,000</u>	<u>251.37</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of four existing circumstances that could significantly affect its financial health in the future:

- The District's certified enrollment (resident students) October 1, 2020 for fiscal year 2022 budget decreased by 7.31 students. The certified enrollment figures reported in October 2020 are the basis for the District's state funding. Supplemental State Aid has not yet been established for fiscal year 2022. The District's served enrollment decreased by 11.21, compared to the prior year.
- Growth in employee wages and benefits has outpaced state funding to schools which has an effect on the District's General Fund budget as salaries and benefits remain close to 80% of General Fund expenditures. Low allowable growth continues to have a significant impact on future budget decisions.
- A new housing addition is in development.
- Bonds have been secured for additions and renovations for the Jr/Sr high school and elementary buildings. The project is scheduled to start in April 2021 with an anticipated completion date of August 2022.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kris Van Pelt, Business Manager/Board Secretary, Madrid Community School District, 201 North Main St., Madrid, Iowa, 50156.

BASIC FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$ 10,594,029	\$ 20,093	\$ 10,614,122
Receivables:			
Property tax:			
Delinquent	31,706	-	31,706
Succeeding year	2,660,316	-	2,660,316
Income surtax	253,487	-	253,487
Accounts	8,485	25,674	34,159
Due from other funds	106,374	-	106,374
Due from other governments	163,519	-	163,519
Inventories	-	7,486	7,486
Capital assets not being depreciated:			
Land and construction in progress	154,836	-	154,836
Capital assets, net of accumulated depreciation:			
Buildings, land improvements, machinery and equipment	7,649,638	50,714	7,700,352
TOTAL ASSETS	21,622,390	103,967	21,726,357
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related deferred outflows	834,561	5,526	840,087
<u>LIABILITIES</u>			
Due to other funds	-	106,374	106,374
Accounts payable	276,164	24,227	300,391
Salaries and benefits payable	760,140	-	760,140
Accrued interest payable	9,875	-	9,875
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	302,126	-	302,126
Revenue bonds payable	109,000	-	109,000
Compensated absences payable	13,329	-	13,329
Termination benefits	121,927	-	121,927
Portion due after one year:			
General obligation bonds payable	6,655,397	-	6,655,397
Revenue bonds payable	978,000	-	978,000
Termination benefits	147,336	-	147,336
Net pension liability	3,235,165	62,994	3,298,159
Total OPEB liability	907,443	27,679	935,122
TOTAL LIABILITIES	13,515,902	221,274	13,737,176
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable property tax revenue	2,660,316	-	2,660,316
Pension related deferred inflows	591,618	12,975	604,593
TOTAL DEFERRED INFLOWS OF RESOURCES	3,251,934	12,975	3,264,909
<u>NET POSITION</u>			
Net investment in capital assets	5,738,171	50,714	5,788,885
Restricted for:			
Categorical funding	300,735	-	300,735
Debt service	102,878	-	102,878
Management levy purposes	331,573	-	331,573
Student activities	38,321	-	38,321
School infrastructure	1,163,290	-	1,163,290
Physical plant and equipment	500,412	-	500,412
Unrestricted	(2,486,265)	(175,470)	(2,661,735)
TOTAL NET POSITION	\$ 5,689,115	\$ (124,756)	\$ 5,564,359

See Notes to Financial Statements

MADRID COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

		<u>Program Revenues</u>	
		<u>Charges for</u>	<u>Operating Grants,</u>
	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>
			<u>and Restricted</u>
			<u>Interest</u>
<u>FUNCTIONS/PROGRAMS:</u>			
Governmental activities:			
Instruction:			
Regular	\$ 3,904,558	\$ 347,950	\$ 86,225
Special	988,922	115,734	30,785
Other	653,925	81,558	97,291
	<u>5,547,405</u>	<u>545,242</u>	<u>214,301</u>
Support services:			
Student	365,083	32,758	-
Instructional staff	254,523	119,180	-
Administration	1,322,888	-	-
Operation and maintenance of plant	871,957	-	-
Transportation	229,206	-	-
	<u>3,043,657</u>	<u>151,938</u>	<u>-</u>
Non-instructional programs:			
Food service operations	13,115	-	-
Long-term debt interest	27,688	-	-
Other expenditures:			
AEA flow through	292,476	-	292,476
Depreciation (unallocated)*	303,062	-	-
	<u>636,341</u>	<u>-</u>	<u>292,476</u>
Total governmental activities	<u>9,227,403</u>	<u>697,180</u>	<u>506,777</u>
Business type activities:			
Non-instructional programs:			
Food service operations	368,855	176,361	214,517
Total business type activities	<u>368,855</u>	<u>176,361</u>	<u>214,517</u>
Total	\$ <u>9,596,258</u>	\$ <u>873,541</u>	\$ <u>721,294</u>
<u>GENERAL REVENUES:</u>			
Local tax for:			
General purposes			
Debt service			
Capital outlay			
Management levy			
Income surtax			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Changes in net position			
Net position - Beginning of year			
Net position - End of year			

* This amount excludes the depreciation included in the direct expenses of various programs

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
\$ (3,470,383)	\$ -	\$ (3,470,383)
(842,403)	-	(842,403)
(475,076)	-	(475,076)
(4,787,862)	-	(4,787,862)
(332,325)	-	(332,325)
(135,343)	-	(135,343)
(1,322,888)	-	(1,322,888)
(871,957)	-	(871,957)
(229,206)	-	(229,206)
(2,891,719)	-	(2,891,719)
(13,115)	-	(13,115)
(27,688)	-	(27,688)
-	-	-
(303,062)	-	(303,062)
(343,865)	-	(343,865)
(8,023,446)	-	(8,023,446)
-	22,023	22,023
-	22,023	22,023
(8,023,446)	22,023	(8,001,423)
1,890,198	-	1,890,198
204,834	-	204,834
194,889	-	194,889
199,288	-	199,288
183,013	-	183,013
686,962	-	686,962
4,737,612	-	4,737,612
58,075	603	58,678
72,055	15,035	87,090
8,226,926	15,638	8,242,564
203,480	37,661	241,141
5,485,635	(162,417)	5,323,218
\$ 5,689,115	\$ (124,756)	\$ 5,564,359

MADRID COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

<u>ASSETS</u>	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Cash, cash equivalents and pooled investments	\$ 2,467,896	\$ 7,657,598	\$ 100,566	\$ 367,969	\$ 10,594,029
Receivables:					
Property tax:					
Delinquent	24,377	2,473	2,312	2,544	31,706
Succeeding year	1,769,351	210,499	427,328	253,138	2,660,316
Income surtax	253,487	-	-	-	253,487
Accounts	4,885	3,600	-	-	8,485
Due from other funds	106,374	-	-	-	106,374
Due from other governments	105,708	57,811	-	-	163,519
TOTAL ASSETS	\$ 4,732,078	\$ 7,931,981	\$ 530,206	\$ 623,651	\$ 13,817,916
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 195,985	\$ 79,560	\$ -	\$ 619	\$ 276,164
Salaries and benefits payable	760,140	-	-	-	760,140
TOTAL LIABILITIES	956,125	79,560	-	619	1,036,304
<u>DEFERRED INFLOWS OF RESOURCES:</u>					
Unavailable revenues:					
Succeeding year property tax	1,769,351	210,499	427,328	253,138	2,660,316
Income surtax	253,487	-	-	-	253,487
TOTAL DEFERRED INFLOWS OF RESOURCES	2,022,838	210,499	427,328	253,138	2,913,803
<u>FUND BALANCES:</u>					
Restricted for:					
Categorical funding	300,735	-	-	-	300,735
Debt service	-	-	102,878	-	102,878
Management levy purposes	-	-	-	331,573	331,573
Student activities	-	-	-	38,321	38,321
School infrastructure	-	1,163,290	-	-	1,163,290
Physical plant and equipment	-	6,478,632	-	-	6,478,632
Unassigned	1,452,380	-	-	-	1,452,380
Total fund balances	1,753,115	7,641,922	102,878	369,894	9,867,809
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,732,078	\$ 7,931,981	\$ 530,206	\$ 623,651	\$ 13,817,916

MADRID COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS \$ 9,867,809

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 7,804,474

Income surtax is not yet available to pay current year expenditures and therefore, is recognized as deferred inflows of resources in the governmental funds. 253,487

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (9,875)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$	834,561	
Deferred inflows of resources		<u>(591,618)</u>	242,943

Long-term liabilities, including general obligation bonds, revenue bonds, bond premium, termination benefits, compensated absences, total OPEB liability and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (12,469,723)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,689,115

MADRID COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
<u>REVENUES:</u>					
Local sources:					
Local tax	\$ 2,094,958	\$ 194,104	\$ 181,455	\$ 198,481	\$ 2,668,998
Tuition	514,540	-	-	-	514,540
Other	194,463	28,415	2,343	95,640	320,861
State sources	5,026,155	688,150	1,110	1,222	5,716,637
Federal sources	118,592	-	-	-	118,592
Total revenues	<u>7,948,708</u>	<u>910,669</u>	<u>184,908</u>	<u>295,343</u>	<u>9,339,628</u>
<u>EXPENDITURES:</u>					
Current:					
Instruction:					
Regular	3,511,715	82,559	-	233,289	3,827,563
Special	982,549	-	-	-	982,549
Other	611,235	-	-	41,528	652,763
	<u>5,105,499</u>	<u>82,559</u>	<u>-</u>	<u>274,817</u>	<u>5,462,875</u>
Support services:					
Student	364,287	-	-	-	364,287
Instructional staff	253,736	-	-	-	253,736
Administration	1,039,357	19,817	-	-	1,059,174
Operation and maintenance of plant	538,265	143,673	-	58,842	740,780
Transportation	179,059	26,500	-	7,745	213,304
	<u>2,374,704</u>	<u>189,990</u>	<u>-</u>	<u>66,587</u>	<u>2,631,281</u>
Non-instructional programs:					
Food service operations	-	13,115	-	-	13,115
Capital outlay	-	609,371	-	-	609,371
Long-term debt:					
Principal	-	-	1,105,000	-	1,105,000
Interest and fiscal charges	-	-	31,845	-	31,845
	<u>-</u>	<u>-</u>	<u>1,136,845</u>	<u>-</u>	<u>1,136,845</u>
Other expenditures:					
AEA flow through	292,476	-	-	-	292,476
Total expenditures	<u>7,772,679</u>	<u>895,035</u>	<u>1,136,845</u>	<u>341,404</u>	<u>10,145,963</u>
Excess (deficiency) of revenues over (under) expenditures	<u>176,029</u>	<u>15,634</u>	<u>(951,937)</u>	<u>(46,061)</u>	<u>(806,335)</u>
Other financing sources (uses):					
Issuance of bonds	-	6,957,523	-	-	6,957,523
Proceeds from sale	230	-	-	-	230
Transfer in	-	-	953,212	-	953,212
Transfer out	-	(953,212)	-	-	(953,212)
Total other financing sources (uses)	<u>230</u>	<u>6,004,311</u>	<u>953,212</u>	<u>-</u>	<u>6,957,753</u>
Change in fund balances	176,259	6,019,945	1,275	(46,061)	6,151,418
<u>FUND BALANCES</u> - Beginning of year	<u>1,576,856</u>	<u>1,621,977</u>	<u>101,603</u>	<u>415,955</u>	<u>3,716,391</u>
<u>FUND BALANCES</u> - End of year	\$ <u>1,753,115</u>	\$ <u>7,641,922</u>	\$ <u>102,878</u>	\$ <u>369,894</u>	\$ <u>9,867,809</u>

MADRID COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 6,151,418

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are reported in the current year as follows:

Capital outlays	\$ 279,278	
Depreciation expense	<u>(393,821)</u>	(114,543)

Income surtax accounts receivable is not available to finance expenditures of the current year and is recognized as a deferred inflow resources in the governmental funds.

91,025

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(6,615,000)	
Repaid	<u>1,105,000</u>	(5,510,000)

Premium on bonds payable provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position.

(342,523)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

4,157

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.

413,105

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Termination benefits	(29,457)	
Compensated absences	(2,123)	
Pension expense	(628,757)	
Total OPEB liability	<u>171,178</u>	(489,159)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 203,480

See Notes to Financial Statements

MADRID COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

Enterprise
School
Nutrition

ASSETS

Current assets:

Cash, cash equivalents and pooled investments	\$ 20,093
Accounts	25,674
Inventories	7,486
Total current assets	<u>53,253</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>50,714</u>
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TOTAL ASSETS 103,967

DEFERRED OUTFLOWS OF RESOURCES:

Pension related deferred outflows	<u>5,526</u>
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LIABILITIES

Current liabilities:

Due to other funds	106,374
Accounts payable	24,227
Total current liabilities	<u>130,601</u>

Noncurrent liabilities:

Net pension liability	62,994
Total OPEB liability	27,679
Total noncurrent liabilities	<u>90,673</u>

TOTAL LIABILITIES 221,274

DEFERRED INFLOWS OF RESOURCES:

Pension related deferred inflows	<u>12,975</u>
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NET POSITION

Net investment in capital assets	50,714
Unrestricted	<u>(175,470)</u>
TOTAL NET POSITION	\$ <u>(124,756)</u>

MADRID COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2020

	<u>Enterprise School Nutrition</u>
<u>OPERATING REVENUES:</u>	
Local sources:	
Charges for services	\$ 176,361
Miscellaneous	<u>1,771</u>
Total operating revenues	<u>178,132</u>
<u>OPERATING EXPENSES:</u>	
Non-Instructional Programs:	
Salaries	156,291
Supplies	207,180
Depreciation	<u>5,384</u>
Total operating expenses	<u>368,855</u>
	<u>OPERATING LOSS (190,723)</u>
<u>NON-OPERATING REVENUES:</u>	
State sources	2,728
Federal sources	211,788
Interest on investments	<u>603</u>
Total non-operating revenues	<u>215,119</u>
Change in net position before capital contributions	24,396
Other financing sources:	
Capital contributions	<u>13,265</u>
Change in net position	37,661
<u>NET POSITION - Beginning of year</u>	<u>(162,417)</u>
<u>NET POSITION - End of year</u>	\$ <u>(124,756)</u>

MADRID COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2020

Enterprise
 School
 Nutrition

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from sale of lunches and breakfasts	\$ 176,361
Cash received for miscellaneous sources	1,771
Cash payments to employees for services	(168,954)
Cash payments to suppliers for goods or services	(202,019)

NET CASH USED IN OPERATING ACTIVITIES (192,841)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

State grants received	2,728
Federal grants received	211,788

NET CASH PROVIDED BY
 NON-CAPITAL FINANCING ACTIVITIES 214,516

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Repayments to other funds	(30,000)
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	603
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NET DECREASE IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS (7,722)

CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - Beginning of year

27,815

CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - End of year

\$ 20,093

RECONCILIATION OF OPERATING LOSS TO NET CASHUSED IN OPERATING ACTIVITIES:

Operating loss	\$ (190,723)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	35,492
Depreciation	5,384
Decrease in inventories	3,206
Increase in accounts receivable	(24,774)
Decrease in accounts payable	(14,649)
Decrease in net pension liability	(7,442)
Increase in deferred outflows of resources	(11,268)
Increase in deferred inflows of resources	7,224
Increase in deferred revenue	9,930
Decrease in OPEB liability	(5,221)
Net cash used in operating activities	\$ <u>(192,841)</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2020, the District received Federal commodities valued at \$35,492.

During the year ended June 30, 2020, the District received capital contributions from the Capital Projects: Physical plant and equipment levy fund of \$30,000.

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020

Private
Purpose
Trust
Scholarship

Assets:

Cash, cash equivalents and pooled investments

\$ 21,176

Liabilities:

None

-

Net Position:

Held in trust for scholarships

\$ 21,176

MADRID COMMUNITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020

	<u>Private</u> <u>Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>19,200</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>23,500</u>
Change in net position	(4,300)
Net position - beginning of year	<u>25,476</u>
Net position - end of year	\$ <u>21,176</u>

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Madrid Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Madrid, Iowa, and the predominate agricultural territory in Boone, Dallas, and Polk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Madrid Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Madrid Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone, Dallas and Polk Counties Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service is utilized to account for property tax and other revenue to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District also reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balances and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Property Tax Receivable – Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on the January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

Due from Other Governments – Due from other governments represent amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, and furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,200
Buildings	1,200
Land improvements	1,200
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Capital Assets (Continued)

Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Land improvements	20 years
Intangible assets	2-10 years
Machinery and equipment	5-12 years

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable – Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned Revenues – Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or used for lunches. The revenue will be considered earned when services are provided.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position. Bond premiums are amortized over the life of the bonds using the straight-line method.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Madrid Community School District's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, and the unrecognized items not yet charged to pension expense.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures exceeded the amounts budgeted in the other expenditures function.

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS (Continued)

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District had no such investments as of June 30, 2020.

NOTE 3: DUE FROM AND DUE TO OTHER FUNDS

The detail of Interfund receivables and payables at June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise: School Nutrition	\$ <u>106,374</u>

The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits paid in prior years.

NOTE 4: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020, is as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Capital Projects	Debt Service	\$ <u>953,212</u>

The transfer from capital projects to the debt service was needed for principal and interest payments on the District's revenue bond indebtedness.

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 112,126	\$ -	\$ -	\$ 112,126
Construction in progress	<u>102,827</u>	<u>42,710</u>	<u>102,827</u>	<u>42,710</u>
Total capital assets not being depreciated	<u>214,953</u>	<u>42,710</u>	<u>102,827</u>	<u>154,836</u>
Capital assets being depreciated:				
Buildings	9,814,915	101,214	-	9,916,129
Land improvements	3,292,258	160,289	-	3,452,547
Machinery and equipment	<u>1,378,219</u>	<u>77,892</u>	<u>5,500</u>	<u>1,450,611</u>
Total capital assets being depreciated	<u>14,485,392</u>	<u>339,395</u>	<u>5,500</u>	<u>14,819,287</u>
Less accumulated depreciation for:				
Buildings	4,733,529	151,117	-	4,884,646
Land improvements	1,050,230	151,945	-	1,202,175
Machinery and equipment	<u>997,569</u>	<u>90,759</u>	<u>5,500</u>	<u>1,082,828</u>
Total accumulated depreciation	<u>6,781,328</u>	<u>393,821</u>	<u>5,500</u>	<u>7,169,649</u>
Total capital assets being depreciated, net	<u>7,704,064</u>	<u>(54,426)</u>	<u>-</u>	<u>7,649,638</u>
Governmental activities capital assets, net	\$ <u>7,919,017</u>	\$ <u>(11,716)</u>	\$ <u>102,827</u>	\$ <u>7,804,474</u>
Business-type activities:				
Machinery and equipment	\$ 105,514	\$ 13,265	\$ 300	\$ 118,479
Less accumulated depreciation	<u>62,681</u>	<u>5,384</u>	<u>300</u>	<u>67,765</u>
Business-type activities capital assets, net	\$ <u>42,833</u>	\$ <u>7,881</u>	\$ <u>-</u>	\$ <u>50,714</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 31,419
Other	7,586
Support services:	
Administration	7,003
Operation and maintenance of plant	5,120
Transportation	<u>39,631</u>
	90,759
Unallocated depreciation	<u>303,062</u>
Total governmental activities depreciation expense	\$ <u>393,821</u>
Business-type activities:	
Food service operations	\$ <u>5,384</u>

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 6: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 995,000	\$ 6,615,000	\$ 995,000	\$ 6,615,000	\$ 285,000
Unamortized premium on GO bonds payable	-	342,523	-	342,523	-
Revenue bonds	1,197,000	-	110,000	1,087,000	109,000
Termination benefits	239,806	99,696	70,239	269,263	121,927
Compensated absences	11,206	13,329	11,206	13,329	13,329
Net pension liability	3,617,349	-	382,184	3,235,165	-
Total OPEB liability	<u>1,078,620</u>	<u>-</u>	<u>171,177</u>	<u>907,443</u>	<u>-</u>
Total	\$ <u>7,138,981</u>	\$ <u>7,070,548</u>	\$ <u>1,739,806</u>	\$ <u>12,469,723</u>	\$ <u>529,256</u>
Business type activities:					
Net pension liability	\$ 70,436	\$ -	\$ 7,442	\$ 62,994	\$ -
Total OPEB liability	<u>32,900</u>	<u>-</u>	<u>5,221</u>	<u>27,679</u>	<u>-</u>
Total	\$ <u>103,336</u>	\$ <u>-</u>	\$ <u>12,663</u>	\$ <u>90,673</u>	\$ <u>-</u>

General Obligation Bonds

Details of the District's June 30, 2020 general obligation bonded indebtedness are as follows:

<u>Bond Issue of June 25, 2020</u>				
<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	4.00%	\$ 285,000	\$ 141,015	\$ 426,015
2022	4.00	255,000	154,500	409,500
2023	4.00	265,000	144,300	409,300
2024	4.00	275,000	133,700	408,700
2025	3.00	285,000	122,700	407,700
2026-2030	2.00-3.00	1,570,000	482,500	2,052,500
2031-2035	2.00	1,750,000	299,400	2,049,400
2036-2040	2.00	<u>1,930,000</u>	<u>117,300</u>	<u>2,047,300</u>
Total		\$ <u>6,615,000</u>	\$ <u>1,595,415</u>	\$ <u>8,210,415</u>

Revenue Bonds

Details of the District's June 30, 2020 statewide sales, services and use tax revenue bonded indebtedness are as follows:

<u>Bond issue of April 26, 2016</u>				
<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	1.80%	\$ 109,000	\$ 26,374	\$ 135,374
2022	2.00	114,000	24,319	138,319
2023	2.20	116,000	21,971	137,971
2024	2.35	119,000	19,363	138,363
2025	2.45	121,000	15,043	136,043
2026-2029	2.60-2.75	<u>508,000</u>	<u>34,588</u>	<u>542,588</u>
Total		\$ <u>1,087,000</u>	\$ <u>141,658</u>	\$ <u>1,228,658</u>

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 6: LONG-TERM LIABILITIES (Continued)

Revenue Bonds (Continued)

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,185,000 of bonds issued in April 2016. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 21% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,228,658. For the current year, \$110,000 of principal and \$28,212 of interest were paid on the bonds and total statewide sales, services and use tax revenues were \$686,962.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) The holder of these bonds, City State Bank, does not require a debt reserve account.
- b) Monthly transfers will be made from the statewide sales, services and use tax account at City State Bank to a sinking account at the same bank to make the semi-annual principal and interest payments for the bonds.

Termination Benefits

In October 2017, the District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30, 2020. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal a cash stipend equivalent to 35% of the employee's regular contractual salary in effect during the employee's last year of employment, and District contributions toward continued coverage on the District's health plan equal to the \$500 deductible single rate premium until Medicare eligibility. The policy requires the stipend payments to be completed during fiscal year 2020.

At June 30, 2020, the District has obligations to eight participants with a total liability of \$269,263. Actual early retirement expenditures for the year ended June 30, 2020 totaled \$70,239.

NOTE 7: PENSION PLAN – IPERS

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information,

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 7: PENSION PLAN – IPERS (Continued)

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 totaled \$421,149.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the District reported a liability of \$3,298,159 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the District's proportion was .056577%, which was a decrease of .001716% from its proportion measured as of June 30, 2018.

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 7: PENSION PLAN – IPERS (Continued)

For the year ended June 30, 2020, the District recognized pension expense of \$636,801. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,143	\$ 118,585
Changes of assumptions	353,280	-
Net difference between projected and actual earnings on IPERS' investments	-	371,663
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	56,515	114,345
District contributions subsequent to the measurement date	<u>421,149</u>	<u>-</u>
Total	\$ <u>840,087</u>	\$ <u>604,593</u>

\$421,149 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30.</u>	<u>Total</u>
2021	\$ 76,682
2022	(91,119)
2023	(76,690)
2024	(78,870)
2025	<u>(15,658)</u>
	\$ <u>(185,655)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of Inflation (effective June 30, 2017)	2.60% annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.0% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and .65% real wage inflation.

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 7: PENSION PLAN – IPERS (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2019.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0</u> %	

Discount Rate – The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
District's proportionate share of the net pension liability	\$ <u>5,856,466</u>	\$ <u>3,298,159</u>	\$ <u>1,152,280</u>

IPERS' Fiduciary Net Position – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	82
Active employees	<u>3</u>
Total	<u>85</u>

Total OPEB Liability – The District's total OPEB liability of \$935,122 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2020)	2.50% per annum.
Rates of salary increase (effective June 30, 2020)	2.50% per annum, including inflation.
Discount rate (effective June 30, 2020)	2.45% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	6.40% initial rate, decreasing annually to an ultimate rate of 4.0%.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.45% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 1,111,521
Changes for the year:	
Service Cost	165,129
Interest	34,791
Differences between expected and actual experiences	(287,303)
Changes in assumptions	(31,738)
Benefit payments	<u>(57,278)</u>
Net changes	<u>(176,399)</u>
Total OPEB liability end of year	\$ <u>935,122</u>

Changes of assumptions reflect a change in the discount rate from 3.13% in fiscal year 2019 to 2.45% in fiscal year 2020.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.45%) or 1% higher (3.45%) than the current discount rate.

	1% Decrease <u>(1.45%)</u>	Discount Rate <u>(2.45%)</u>	1% Increase <u>(3.45%)</u>
Total OPEB liability	\$ <u>1,018,993</u>	\$ <u>935,122</u>	\$ <u>857,857</u>

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.40%) or 1% higher (7.40%) than the current healthcare cost trend rates.

	1% Decrease <u>(5.40%)</u>	Healthcare Cost Trend Rate <u>(6.40%)</u>	1% Increase <u>(7.40%)</u>
Total OPEB liability	\$ <u>814,842</u>	\$ <u>935,122</u>	\$ <u>1,081,845</u>

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the District recognized OPEB expense of \$(119,121). Madrid Community School District elected to use the Alternative Measurement Method (AMM) as allowed by GASB Statement No. 75 for entities with fewer than 100 active and inactive employees. Certain items such as differences between expected and actual experience and changes in assumptions and other inputs are recognized in the current year when using the AMM and, therefore, there are no deferred outflows of resources or deferred inflows of resources related to OPEB.

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9: RISK MANAGEMENT

Madrid Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10: AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$292,476 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 11: TAX ABATEMENTS

Governmental Accounting Standards Board Statements No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax abatements of other entities

Property tax revenues of the District were reduced by the following amount for the year ended June 30, 2020 under agreements entered into by the following entity:

<u>Entity</u>	<u>Tax abatement program</u>	<u>Amount of tax abated</u>
City of Madrid	Economic Development Projects	\$ <u>5,746</u>

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2020, this reimbursement amounted to \$2,164.

NOTE 12: DEFICIT BALANCES

At June 30, 2020, the District had a deficit total net position of \$124,756 in the Enterprise, School Nutrition Fund. This deficit net position in the School Nutrition Fund was caused primarily by the interfund loan owed to the General Fund.

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 13: CATEGORICAL FUNDING

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020:

<u>Program</u>	<u>Amount</u>
Limited english proficiency weighting	\$ 570
Home school assistance program	124,486
Returning dropout and dropout prevention program	17,895
Teacher leadership state aid	4,318
Beginning teacher mentoring and induction	10,203
Teacher salary supplement	1,488
Beginning administrator mentoring and induction	895
Model core curriculum	3,726
Successful progression for early readers	43,516
Professional development for model core curriculum	25,489
Professional development	18,023
Market factor incentives	17,351
Regional planning	304
4-year-old preschool	<u>32,471</u>
Total	\$ <u>300,735</u>

NOTE 14: PROSPECTIVE ACCOUNTING CHANGE

Governmental Accounting Standards board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

NOTE 15: CONSTRUCTION COMMITMENTS

The District entered into contracts totaling \$246,179 for dugout and roofing projects during the year-ended June 30, 2020. As of June 30, 2020, costs of \$42,710 had been incurred against the contracts. The balance of \$203,469 remaining at June 30, 2020 will be paid as work on the projects progress.

NOTE 16: SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 20, 2021, the date statements were available to be issued.

In December 2020, the District approved construction contracts that totaled approximately \$4,421,000.

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the District, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the District's operations and finances.

REQUIRED SUPPLEMENTARY INFORMATION

MADRID COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
<u>REVENUES:</u>			
Local sources	\$ 3,504,399	\$ 192,000	\$ 3,696,399
State sources	5,716,637	2,728	5,719,365
Federal sources	<u>118,592</u>	<u>211,788</u>	<u>330,380</u>
Total revenues	<u>9,339,628</u>	<u>406,516</u>	<u>9,746,144</u>
<u>EXPENDITURES/EXPENSES:</u>			
Instruction	5,462,875	-	5,462,875
Support services	2,631,281	-	2,631,281
Non-instructional programs	13,115	368,855	381,970
Other expenditures	<u>2,038,692</u>	<u>-</u>	<u>2,038,692</u>
Total expenditures/expenses	<u>10,145,963</u>	<u>368,855</u>	<u>10,514,818</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(806,335)	37,661	(768,674)
Other financing sources (uses), net	<u>6,957,753</u>	<u>-</u>	<u>6,957,753</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses and other financing uses	6,151,418	37,661	6,189,079
<u>BALANCE</u> - Beginning of year	<u>3,716,391</u>	<u>(162,417)</u>	<u>3,553,974</u>
<u>BALANCE</u> - End of year	\$ <u>9,867,809</u>	\$ <u>(124,756)</u>	\$ <u>9,743,053</u>

<u>Budgeted Amounts</u>			<u>Final to Actual</u>
<u>Original</u>	<u>Final</u>		<u>Variance</u>
\$ 3,716,010	\$ 3,716,010	\$	(19,611)
5,732,691	5,732,691		(13,326)
<u>276,013</u>	<u>276,013</u>		<u>54,367</u>
<u>9,724,714</u>	<u>9,724,714</u>		<u>21,430</u>
5,746,839	5,746,839		283,964
2,553,000	2,787,892		156,611
335,000	391,603		9,633
<u>1,009,593</u>	<u>1,455,000</u>		<u>(583,692)</u>
<u>9,644,432</u>	<u>10,381,334</u>		<u>(133,484)</u>
80,282	(656,620)		(112,054)
<u>(3,600)</u>	<u>(3,600)</u>		<u>6,954,153</u>
76,682	(660,220)		6,842,099
<u>3,131,681</u>	<u>2,518,625</u>		<u>1,035,349</u>
\$ <u>3,208,363</u>	\$ <u>1,858,405</u>	\$	<u>7,877,448</u>

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service Funds, Private Purpose Trust Funds and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a modified accrual basis of accounting.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2020, expenditures in the other expenditures function exceeded the amounts budgeted.

MADRID COMMUNITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SIX FISCAL YEARS*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability	0.056577 %	0.058293 %
District's proportionate share of the net pension liability	\$ 3,298,159	\$ 3,687,785
District's covered payroll	\$ 4,334,608	\$ 4,365,965
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.09 %	84.47 %
IPERS' net position as a percentage of the total pension liability	85.45 %	83.62 %

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as a June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
0.058640 %		0.057026 %		0.058171 %		0.051610 %
\$ 3,906,141	\$	3,588,838	\$	2,873,926	\$	2,046,814
\$ 4,377,165	\$	4,092,408	\$	3,985,238	\$	3,374,099
89.24 %		87.70 %		72.11 %		60.66 %
82.21 %		81.82 %		85.19 %		87.61 %

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 421,149	\$ 409,187	\$ 389,881
Contributions in relation to the statutorily required contribution	<u>(421,149)</u>	<u>(409,187)</u>	<u>(389,881)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	\$ 4,461,324	\$ 4,334,608	\$ 4,365,965
Contributions as a percentage of covered payroll	9.44 %	9.44 %	8.93 %

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 390,881	\$ 365,452	\$ 355,882	\$ 301,307	\$ 318,864	\$ 294,105	\$ 236,442
<u>(390,881)</u>	<u>(365,452)</u>	<u>(355,882)</u>	<u>(301,307)</u>	<u>(318,864)</u>	<u>(294,105)</u>	<u>(236,442)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ 4,377,165	\$ 4,092,408	\$ 3,985,238	\$ 3,475,283	\$ 3,951,227	\$ 4,231,727	\$ 3,555,519
8.93 %	8.93 %	8.93 %	8.67 %	8.07 %	6.95 %	6.65 %

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
FOR THE LAST THREE YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 165,129	\$ 161,101	\$ 131,076
Interest cost	34,791	27,387	26,920
Recognition of deferred inflows/outflows	(319,041)	73,623	(1,100)
Benefit payments	(57,278)	(25,568)	(25,568)
Net change in total OPEB liability	(176,399)	236,543	131,328
Total OPEB liability, beginning of year	1,111,521	874,978	743,650
Total OPEB liability end of year	\$ 935,122	\$ 1,111,521	\$ 874,978
Covered-employee payroll	\$ 3,973,877	\$ 4,446,637	\$ 3,716,133
Total OPEB liability as a percentage of covered payroll	23.53 %	25.00 %	23.55 %

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	2.45 %
Year ended June 30, 2019	3.13 %
Year ended June 30, 2018	3.62 %
Year ended June 30, 2017	3.56 %

SUPPLEMENTARY INFORMATION

MADRID COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Management Levy	Student Activity	
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$ 329,146	\$ 38,823	\$ 367,969
Receivables:			
Property tax:			
Delinquent	2,544	-	2,544
Succeeding year	253,138	-	253,138
TOTAL ASSETS	\$ 584,828	\$ 38,823	\$ 623,651
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 117	\$ 502	\$ 619
Total liabilities	117	502	619
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Unavailable revenues:			
Succeeding year property tax	253,138	-	253,138
<u>FUND BALANCES:</u>			
Restricted for:			
Management levy purposes	331,573	-	331,573
Student activities	-	38,321	38,321
Total fund balances	331,573	38,321	369,894
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 584,828	\$ 38,823	\$ 623,651

MADRID COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Management Levy</u>	<u>Student Activity</u>	
<u>REVENUES:</u>			
Local sources:			
Local tax	\$ 198,481	\$ -	\$ 198,481
Other	8,364	87,276	95,640
State sources	1,222	-	1,222
Total revenues	<u>208,067</u>	<u>87,276</u>	<u>295,343</u>
<u>EXPENDITURES:</u>			
Current:			
Instruction:			
Regular	131,321	101,968	233,289
Other	41,528	-	41,528
Support services:			
Operation and maintenance of plant	58,842	-	58,842
Transportation	7,745	-	7,745
Total expenditures	<u>239,436</u>	<u>101,968</u>	<u>341,404</u>
Deficiency of revenues under expenditures	(31,369)	(14,692)	(46,061)
<u>FUND BALANCES</u> - Beginning of year	<u>362,942</u>	<u>53,013</u>	<u>415,955</u>
<u>FUND BALANCES</u> - End of year	\$ <u>331,573</u>	\$ <u>38,321</u>	\$ <u>369,894</u>

MADRID COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND ACCOUNTS
JUNE 30, 2020

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Capital Projects	Total
<u>ASSETS</u>				
Cash, cash equivalents and pooled investments	\$ 1,149,950	\$ 506,709	\$ 6,000,939	\$ 7,657,598
Receivables:				
Property tax:				
Delinquent	-	2,473	-	2,473
Succeeding year	-	210,499	-	210,499
Accounts	3,600	-	-	3,600
Due from other governments	57,811	-	-	57,811
TOTAL ASSETS	\$ 1,211,361	\$ 719,681	\$ 6,000,939	\$ 7,931,981
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 48,071	\$ 8,770	\$ 22,719	\$ 79,560
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Unavailable revenues:				
Succeeding year property tax	-	210,499	-	210,499
<u>FUND BALANCES:</u>				
Restricted for:				
School infrastructure	1,163,290	-	-	1,163,290
Physical plant and equipment	-	500,412	5,978,220	6,478,632
TOTAL FUND BALANCES	1,163,290	500,412	5,978,220	7,641,922
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,211,361	\$ 719,681	\$ 6,000,939	\$ 7,931,981

MADRID COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND ACCOUNTS
YEAR ENDED JUNE 30, 2020

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 194,104	\$ -	\$ 194,104
Other	20,359	8,056	-	28,415
State sources	686,962	1,188	-	688,150
Total revenues	707,321	203,348	-	910,669
Expenditures:				
Current:				
Instruction:				
Regular instruction	20,966	61,593	-	82,559
Support services:				
Administration	514	19,303	-	19,817
Operation of maintenance and plant	-	29,477	114,196	143,673
Transportation	-	26,500	-	26,500
Non-instructional programs:				
Food service operations	13,115	-	-	13,115
Capital outlay	559,264	-	50,107	609,371
Total expenditures	593,859	136,873	164,303	895,035
Excess (deficiency) of revenues over (under) expenditures	113,462	66,475	(164,303)	15,634
Other financing sources (uses):				
Issuance of bonds	-	-	6,957,523	6,957,523
Transfer out	(138,212)	-	(815,000)	(953,212)
Total other financing sources (uses)	(138,212)	-	6,142,523	6,004,311
Change in fund balances	(24,750)	66,475	5,978,220	6,019,945
<u>FUND BALANCES</u> - Beginning of year	1,188,040	433,937	-	1,621,977
<u>FUND BALANCES</u> - End of year	\$ 1,163,290	\$ 500,412	5,978,220	\$ 7,641,922

MADRID COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND -
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2020

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	<u>Balance End of Year</u>
Drama	\$ 4,690	\$ 3,042	\$ 1,578	\$ -	\$ 6,154
Speech	-	1,144	-	-	1,144
7-12 music	1,769	732	310	-	2,191
7-12 instrumental miscellaneous	149	-	-	-	149
Elementary music	565	348	267	-	646
K-12 activities	277	4,930	7,979	2,772	-
Yearbook	1,354	110	-	-	1,464
HS student council	4,002	1,607	2,066	-	3,543
JH student council	1,144	708	438	-	1,414
K-6 student council	274	-	-	-	274
K-6 building	784	-	2,198	1,414	-
Athletic	-	-	1,460	1,460	-
Activity passes	-	6,030	-	(6,030)	-
Cross country	-	1,872	2,713	841	-
Boys basketball	1,255	10,854	8,945	(3,069)	95
Boys basketball camp	375	-	100	-	275
Football	1,149	16,976	9,779	(3,133)	5,213
Baseball	445	1,894	2,713	1,000	626
Boys track	162	1,470	2,692	1,060	-
Cross country camp	36	3,327	1,647	-	1,716
Golf	-	-	1,500	1,500	-
Wrestling	-	-	2,500	2,500	-
Girls basketball	-	7,111	3,762	(2,901)	448
Volleyball	600	6,636	5,297	(1,090)	849
Softball	-	1,394	1,923	1,000	471
Girls track	162	1,686	2,412	564	-
Girls golf	-	-	19	19	-
Spanish club	467	-	34	-	433
Java jungle	2,565	760	1,013	-	2,312
HS cheerleading	1,702	5,760	6,940	-	522
JH cheerleading	141	-	-	-	141
Special Olympics	138	-	-	-	138
Archery club	1,107	3,453	1,962	-	2,598
K-12 activity awards	-	-	2,093	2,093	-
Team tiger	23,444	-	23,444	-	-
Class of 2023	-	313	309	-	4
Class of 2019	105	-	-	(105)	-
Class of 2020	2,228	421	686	105	2,068
Class of 2021	1,214	4,327	2,832	-	2,709
Class of 2022	710	371	357	-	724
Total	\$ 53,013	\$ 87,276	\$ 101,968	\$ -	\$ 38,321

MADRID COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues:				
Local sources:				
Local tax	\$ 2,668,998	\$ 2,646,992	\$ 2,310,193	\$ 2,164,279
Tuition	514,540	465,827	425,463	440,770
Other	320,861	333,558	290,567	159,470
State sources	5,716,637	5,709,803	5,585,418	5,853,689
Federal sources	<u>118,592</u>	<u>118,964</u>	<u>132,890</u>	<u>144,443</u>
Total	\$ <u>9,339,628</u>	\$ <u>9,275,144</u>	\$ <u>8,744,531</u>	\$ <u>8,762,651</u>
Expenditures:				
Current:				
Instruction:				
Regular	\$ 3,827,563	\$ 3,608,924	\$ 3,612,010	\$ 3,778,107
Special	982,549	860,793	850,020	799,632
Other	652,763	765,026	786,877	751,728
Support services:				
Student	364,287	343,125	260,040	228,587
Instructional staff	253,736	227,699	219,447	116,379
Administration	1,059,174	1,060,272	1,041,425	870,561
Operation and maintenance of plant	740,780	615,295	550,695	516,079
Transportation	213,304	334,657	228,605	216,729
Non-instructional programs:				
Food service operations	13,115	36,954	3,619	-
Capital outlay	609,371	269,278	586,585	424,826
Long term debt:				
Principal	1,105,000	259,000	254,000	262,000
Interest	31,845	60,800	65,059	57,039
Other expenditures:				
AEA flow-through	<u>292,476</u>	<u>293,241</u>	<u>290,428</u>	<u>289,034</u>
Total	\$ <u>10,145,963</u>	\$ <u>8,735,064</u>	\$ <u>8,748,810</u>	\$ <u>8,310,701</u>

SCHEDULE 6

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 2,266,359	\$ 2,208,897	\$ 2,202,065	\$ 2,553,921	\$ 2,409,654	\$ 2,296,222
415,684	442,913	358,782	303,193	301,690	290,362
246,887	364,180	214,560	203,613	224,956	223,534
5,131,895	4,737,025	4,807,371	3,951,865	3,983,160	3,608,229
<u>91,505</u>	<u>142,581</u>	<u>142,939</u>	<u>146,039</u>	<u>301,456</u>	<u>237,069</u>
\$ <u>8,152,330</u>	\$ <u>7,895,596</u>	\$ <u>7,725,717</u>	\$ <u>7,158,631</u>	\$ <u>7,220,916</u>	\$ <u>6,655,416</u>
\$ 3,559,656	\$ 3,410,813	\$ 3,108,201	\$ 3,006,747	\$ 2,995,658	\$ 2,693,765
788,314	813,331	752,493	624,743	543,324	625,324
757,051	680,099	699,300	612,524	620,900	593,624
196,421	193,031	184,157	165,854	189,281	132,284
81,449	169,632	165,260	203,877	199,840	221,920
865,577	712,484	654,938	557,141	583,600	569,338
517,511	517,918	603,640	428,455	470,323	507,326
299,891	196,815	250,647	192,753	306,466	179,109
-	-	-	-	-	-
1,598,449	833,929	1,168,804	1,235,956	229,666	89,516
1,712,000	775,000	223,000	188,192	184,827	176,460
116,165	89,664	79,081	35,723	41,789	47,521
<u>273,558</u>	<u>254,654</u>	<u>254,460</u>	<u>236,932</u>	<u>231,651</u>	<u>242,504</u>
\$ <u>10,766,042</u>	\$ <u>8,647,370</u>	\$ <u>8,143,981</u>	\$ <u>7,488,897</u>	\$ <u>6,597,325</u>	\$ <u>6,078,691</u>



ANDERSON, LARKIN & CO., P.C.
Certified Public Accountants
"Your Success Is Our Business."

Kenneth E. Crosser, CPA
April D. Crosser, CPA
Michael J. Podliska, CPA
Alexander T. Barr, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Madrid Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Madrid Community School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Madrid Community School District's basic financial statements and have issued our report thereon dated January 20, 2021

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madrid Community School District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Madrid Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Madrid Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-20 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madrid Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Madrid Community School District's Response to Findings

Madrid Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Madrid Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Madrid Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO., P.C.

Anderson, Larkin & Co., P.C.

Ottumwa, Iowa
January 20, 2021

MADRID COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

PART I: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition – We noted one individual has control over one or more of the following areas for the District:

- 1) Cash – initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments – investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts – collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements – purchase order processing, check preparation, mailing and recording.
- 5) Capital Assets – purchasing, recording and reconciling.
- 6) Payroll – recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Transfers – preparing and approving.
- 8) Financial reporting – preparing, reconciling and approving.
- 9) Computer systems – performing all general accounting functions and controlling all data input and output.
- 10) Journal entries – preparing, approving and posting journal entries to the accounting records.
- 11) School lunch program – collecting money, recording initial receipt, filling out deposit slip, recording money in student accounts, depositing and reconciling.

Cause – The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors, or misappropriations on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

MADRID COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

PART I: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (Continued)

I-A-20 Segregation of Duties (Continued)

Response – We will continue to review our procedures and continue to segregate duties as much as reasonably possible.

Conclusion – Response accepted.

PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

II-A-20 Certified Budget – Expenditures for the year ended June 30, 2020 exceeded the certified budget amounts in the other expenditure function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-20 Questionable Disbursements – No expenditures we believe may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-20 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-20 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-20 Restricted Donor Activity – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-20 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-G-20 Board Minutes – We noted no transactions requiring Board approval which have not been approved by the Board.

II-H-20 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-I-20 Supplementary Weighting – We noted a variance is the supplementary weighting certified to the Iowa Department of Education. The supplementary weighting was overstated by .039 for the 2019-20 count.

Recommendation – The District should develop procedures to ensure accurate counts are taken throughout the year and accurate supplementary weighting data is certified to the Iowa Department of Education.

Response – The District will contact the Iowa Department of Education and Iowa Department of Management notifying them of the above changes. The supplementary weighting overstatement was resolved with the Iowa Department of Education and was corrected on the FY21 budget.

Conclusion – Response accepted.

MADRID COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (Continued)

- II-J-20 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-K-20 Certified Annual Report – The certified annual report was certified timely to the Iowa Department of Education.
- II-L-20 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-M-20 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,188,040
Revenues/transfer in:			
Sales tax revenues	\$	686,962	
Other local revenues		<u>20,359</u>	<u>707,321</u>
			1,895,361
Expenditures/transfers out:			
School infrastructure		559,264	
Instruction: Regular		20,966	
Food service operations		13,115	
Support services		514	
Transfers to other funds:			
Debt service fund		<u>138,212</u>	<u>732,071</u>
Ending balance		\$	<u>1,163,290</u>

For the year ended June 30, 2020, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- II-N-20 Financial Condition – At June 30, 2020, the District had a deficit net position of \$124,756 in the Enterprise, School Nutrition Fund. The deficit net position in the School Nutrition Fund is primarily caused by the interfund loan owed to the General Fund.

Recommendation – The District should continue to review the School Nutrition Fund and develop a plan, or continue its plan, to make this fund solvent each year.

Response – The District will continue to monitor the School Nutrition Fund and develop a plan to make it solvent each year.

Conclusion – Response accepted.

MADRID COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (Continued)

- II-O-20 Interfund Loan – In fiscal year 2012, we noted a permanent transfer of \$86,813 from the General Fund to the Nutrition Fund to cover cash shortages at year end. A corrective transfer was requested from Nutrition Fund to General Fund for this transfer that was completed by the District without permission from the School Review Committee.

The District created an interfund loan between the General Fund and the Nutrition Fund of \$64,773 without approval from the District's Board of Directors to cover cash shortages created during the year ended June 30, 2013. The District created additional interfund loans of \$31,836 and \$61,452 during the years June 30, 2014 and June 30, 2015, respectively, without approval from the District's Board of Directors to cover cash shortages. The District paid \$30,000, \$28,500, \$25,000, \$25,000, \$30,000 and \$30,000 against this loan in fiscal years 2015, 2016, 2017, 2018, 2019 and 2020, respectively. Additionally, as of the date of this report, \$106,374 of the interfund loan between the General Fund and the Nutrition Fund had not been repaid.

Recommendation – According to a Declaratory Order issued by the Iowa Department of Education to the Auditor of State date April 11, 2008, interfund loans on the District's year-end financial statements must be approved by the District's Board of Directors and be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek outside funding to repay the interfund loans according to Iowa Code Chapter 74.

The District may wish to contact the Iowa Department of Education to create a workout plan to eliminate the interfund loan. The Iowa Department of Education would work with the District to develop ideas of how to manage the Nutrition Fund budget on the revenues collected.

Additionally, the District should continue to review program costs compared to sales, labor costs of staff and possible issues with internal controls and reporting. We noted the District significantly cut back staffing costs during fiscal year 2016. The District should continue to review the School Nutrition Fund in order to get back to a level of self-sustainability. District nutrition and accounting staff may also need additional training to gain the knowledge needed to properly manage costs to revenues.

Response – The District will continue to monitor expenses. The District will consider the need for replacing staff that resign or retire during or at the end of each school year. If needed, a reduction in force will be implemented. The District will continue to do an interfund loan transfer to the general fund to bring down the loan balance that was created June 30, 2015. The District will analyze the amount that can be transferred at the end of each school year. A corrective action plan has been established with the Iowa Department of Education through an administrative review of the child nutrition programs. The possible timeframe to have this interfund loan balance resolved in fiscal year 2021.

Conclusion – Response accepted.